

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7460**

**BILL NUMBER:** SB 486

**NOTE PREPARED:** Mar 24, 2009

**BILL AMENDED:** Mar 23, 2009

**SUBJECT:** Various Insurance and Study Committee Matters.

**FIRST AUTHOR:** Sen. Paul

**FIRST SPONSOR:** Rep. Fry

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill does the following.

*State Police Health Insurance.* This bill requires certain group health plans available to certain police employees of the state to provide coverage for pervasive developmental disorders.

*School Corporation Health Insurance Through State Plan.* The bill allows a school corporation to provide coverage for employees of the school corporation through a state employee health plan.

*Municipal Mutual Insurance Companies.* It provides that municipalities may form a mutual insurance company to insure municipalities.

*Worker's Compensation.* The bill provides that for purposes of worker's compensation, an officer of a corporation who is the sole officer of the corporation: (1) is not an employee of the corporation; but (2) may elect to be an employee of the corporation. It makes technical corrections.

*Interim Study Committee on Motor Vehicle Towing.* The bill establishes the Interim Study Committee on Motor Vehicle Towing.

**Effective Date:** Upon passage; January 1, 2009 (retroactive); July 1, 2009.

**Explanation of State Expenditures:** *State Police Health Insurance.* This bill requires certain group health plans available to certain police employees of the state to provide coverage for pervasive developmental disorders. The number of individuals who could be covered by this provision is indeterminable. However,

any additional coverage could result in additional costs to the plans. Additional costs may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would cover added costs or pass the costs on to employees. (Additional information will be provided if it becomes available.)

*School Corporation Health Insurance Through State Plan.* The bill allows a school corporation to provide coverage for employees of the school corporation through a state employee health plan. Any type of voluntary offering creates adverse selection within the pool. The impact on the state would depend on the number and health experience of schools choosing to participate in the state employee health insurance plan. If schools with a large number of claims per employee choose the state plan, then the overall cost of the state employee health plan would increase and could increase the state costs of the state health insurance plan.

Any increase in costs may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would pay added costs or pass the costs on to employees.

*School Corporation Health Insurance Through State Plan-- Administrative Costs.* With respect to the state's self-insurance plans, administrative costs typically make up 15%-20% of the overall benefit costs. Administrative costs are scaled based on the size of the group. There are economies of scale that apply when a large group has the same administration. The larger the group, the lower the per member per month charge. Having a large group with the same administration creates cost effectiveness to the administrator. To the extent that the administration can be standardized and made more efficient, overall health insurance costs can be reduced.

*Municipal Mutual Insurance Companies.* The bill provides that four or more Indiana municipalities, represented by at least seven incorporators, may form a corporation as a domestic mutual company for purposes of making insurance (other than reciprocal, farm mutual, fraternal, and assessment insurance) available to Indiana municipalities. If the Department of Insurance (DOI) commissioner determines that the domestic mutual company may be hazardous to the policyholders or the general public, the commissioner may issue an order requiring the insurer to increase the insurer's capital and surplus based on the type, volume, and nature of the business transacted.

Because the DOI already reviews and issues certificates of authority to insurance companies, providing that one or more municipalities may form a domestic mutual insurance company should not result in a significant impact to the DOI.

(Revised) *Worker's Compensation:* The bill should have no fiscal impact upon the state for worker's compensation.

*Interim Study Committee on Motor Vehicle Towing.* The committee is to consist of eight legislators. The committee must operate under the policies governing study committees adopted by the Legislative Council. The committee expires December 31, 2009. Total expenses for the committee could not exceed its budget, which is established by the Legislative Council. The budget for the 2008 interim was \$9,500 for committees with fewer than 16 members. The study committee would be funded from state General Fund appropriations

to the Legislative Council and Legislative Services Agency.

Background: State expenditures for employee health insurance were about \$260.8 M for FY 2008. The following are the state employee health plan rates for 2009.

Plan	Coverage	Annual Employee Premium	Annual Employer Premium	Annual Total Premium
HDHP 1	Single	\$0.00	\$4,545.84	\$ 4,545.84
	Family	\$0.00	\$12,500.28	\$12,500.28
HDHP 2	Single	\$502.32	\$4,545.84	\$5,048.16
	Family	\$1,237.08	\$12,500.28	\$13,737.36
Anthem Traditional II	Single	\$1,630.98	\$4,545.84	\$6,176.82
	Family	\$4,806.36	\$12,500.28	\$17,306.64
Welborn HMO*	Single	\$858.78	\$4,545.84	\$5,404.62
	Family	\$2,378.22	\$12,500.28	\$14,878.50
Delta Dental	Single	\$0.00	\$250.38	\$250.38
	Family	\$0.00	\$716.82	\$716.82
EyeMed Vision	Single	\$0.00	\$41.16	\$41.16
	Family	\$63.12	\$41.16	\$104.28

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** *School Corporation Health Insurance Through State Plan.* The bill could decrease the cost of employee health plans for local schools. The impact would depend on the costs of schools' current health insurance premiums. For the 2007-08 school year, schools spent about \$661.5 M on employee insurance benefits. Based on data provided by the School Boards Association, at least 55 schools have total health insurance premiums greater than the state total health insurance premium.

*Municipal Mutual Insurance Companies.* Presumably, municipalities would not form a domestic mutual insurance company unless it is likely that forming the company would reduce or contain costs for the municipalities. The impact of the provision will depend on local action.

(Revised) *Worker's Compensation:* The bill should have no fiscal impact upon locals for worker's compensation.

#### **Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** Schools and municipalities.

**Information Sources:** Carol Cutter, 232-5695, DOI; Auditor's data; Department of Education database; CPT Sherry Beck, Indiana State Police, 234-4217.

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